

Confidential

TO: Mr. Gurpur Kumar, Deputy Director,
A: Internal Audit Division,
Office of Internal Oversight Services

DATE: 05 May 2011

REFERENCE:

THROUGH:

S/C DE:

FROM: Anthony Banbury, Assistant Secretary-General
DE: for Field Support



SUBJECT: **Draft OIOS report on the audit of the Trust Fund for the support of the**
OBJET: **activities of MINURCAT – Assignment no. AP2010/636/11**

1. I refer to your memorandum dated 6 April 2011, regarding the above-mentioned assignment. DFS and MINURCAT welcome the results of the audit following their request to OIOS in 2010 to undertake a review of the Trust Fund for the support of the activities of MINURCAT (the Trust Fund). MINURCAT has faced challenges on numerous fronts involving a turbulent start-up and a relatively sudden termination of its mandate.

2. The stated objective of the audit was to assess the adequacy and effectiveness of internal controls over the Trust Fund in ensuring that expenditures were incurred for the intended purposes in accordance with the United Nations Financial Regulations and Rules and donor agreements. Whilst the report focussed on the broad framework for the administration of trust funds, little reference was made to issues specific to the performance and actions of MINURCAT in its assigned role.

3. Building on OIOS' observation that policies for administering trust funds need to clearly establish responsibilities between the various actors involved in the field and from Headquarters, it should be noted that MINURCAT is the designated implementing office for all funds received relating to the Trust Fund. This is the case for all peacekeeping operations, and the implementing office is granted its authority directly by the Controller. Accordingly, MINURCAT was provided with capacity at the appropriate level for management of the Trust Fund.

4. Nevertheless, it became apparent in mid-2010 that the Mission required additional support from DFS at an operational level. As such, detailed guidance and assistance has been provided in matching expenditure to contributions and individual projects, ensuring expenditures were aligned with requirements stipulated by donors, reconciling financial statements, and in meeting reporting obligations. DFS does not concur that this guidance was ineffective as expressed in paragraph 35 of the draft

report.

5. Please refer to our comments on the recommendations in the attached matrix.
6. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Kane
Mr. Yamazaki
Mr. Baez
Ms. Burns
Ms. Wong

RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS
Assignment No. AP2010/636/11 – Audit of the Trust Fund for the support of the activities of MINURCAT

Para. no.	Recommendation	Risk category	Risk rating	Accepted (Yes/No)	Implementation date	Client Comments
41	The Department of Field Support, in coordination with the Office of Programme Planning, Budget and Accounts, should finalize the substantive and financial report supporting the expenditures against the contribution from the Government of the Netherlands and the European Union to the MINURCAT Trust Fund and return the unspent balance.	Financial	Medium	Yes	June 2011	<p>Finalisation of the required narrative and financial reports to support closure of the Trust Fund and acquittal of outstanding contributions remains dependent on clarification from the Government of the Netherlands and the European Union (EU) of issues raised by the Secretariat. These include:</p> <ul style="list-style-type: none"> o Netherlands: a request has been made through the Permanent Mission that remaining balances of the contribution from the Netherlands be applied to additional funding requirements. o EU: discussions are underway with the EU and the Controller regarding the EU's declaration that it regards preliminary information provided to the EU by MINURCAT to be the proper basis for the EU's remaining contributions to be returned. This amount differs from the proper and final accounts expected for the Trust Fund. <p>Although the reports required by donors to the Trust Fund are near complete, resolution of these two issues will have a material impact on the final accounts for the Fund.</p>
42	The Office of Programme Planning, Budget and Accounts should issue appropriate guidance to implementing offices on recording of expenditures against the respective donors' contributions for trust funds involving multiple donors and earmarks, so that expenditures and unspent balances can be monitored with reference to the donor agreements.	Financial	High	N/A	N/A	We trust that OPPBA will provide its comments on this recommendation.

43	<p>The Office of Programme Planning, Budget and Accounts, in coordination with the Department of Field Support, should make appropriate prior period adjustments to account for funds that were used from the peacekeeping budget instead of the MINURCAT Trust Fund.</p>	Financial	High	TBD	June 2011	<p>The capacity of the Trust Fund to meet these costs previously recorded against MINURCAT's own funding is dependent upon the availability of funding from the Trust Fund. This may in turn be impacted by the resolution of the issues noted against the recommendation in paragraph 41. If a prior period adjustment is required and possible, DFS currently expects to complete this work before the end of the current budget period for peacekeeping operations (2010/11).</p>
44	<p>The Department of Field Support, in consultation with the Office of Programme Planning, Budget and Accounts, taking into account the circumstances that led to control failures in implementing, monitoring and reporting on the Trust Fund for MINURCAT, should: (a) develop a policy clarifying roles and responsibilities between the Controller, DFS and missions for trust funds pertaining to field missions; (b) ensure that the policy is fully reflected in the terms of reference for trust funds; and (c) implement adequate monitoring for compliance with the policy provisions.</p>	Governance	High	Yes	Dec 2011	<p>DFS is presently reviewing existing work in this area with a view to formally issuing Standard Operating Procedures for the administration of Trust Funds by United Nations field operations supported by DFS. These SOPs will be finalised in consultation with OPPBA. As they will apply to a number of Trust Funds, care will be taken to take into account issues and successes across field operations supported by DFS.</p>